

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6882

BILL NUMBER: SB 228

NOTE PREPARED: Feb 18, 2005

BILL AMENDED: Feb 15, 2005

SUBJECT: Hospital Care for the Indigent Program.

FIRST AUTHOR: Sen. Miller

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill extends the time period to 45 days in which a hospital may submit an application for a person to participate in the Hospital Care for the Indigent (HCI) Program. The bill requires the Division of Family and Children to review information provided by the hospital in determining a person's eligibility for the program and allows the Division to elect not to interview the person if the information submitted is sufficient to determine the person's eligibility for the program. It prohibits the Division from denying eligibility for the program only because specified time limits have expired. The bill states that if the Division does not determine eligibility within a specified time frame, the person is considered eligible for the program. It also limits the information the Division may request from a hospital.

The bill also repeals sections concerning the Division's ability to recover payments under the program and subrogation.

The bill amends the formula in determining a county's Hospital Care for the Indigent property tax levy and the applicable years.

Effective Date: July 1, 2003, (Retroactive); Upon passage.

Explanation of State Expenditures: (Revised) *Eligibility Determination:* This bill extends the period of time that a provider has to submit an application to the Division from 30 days from the patient encounter or admission to 45 days from the patient encounter or discharge. Effectively this provision allows physicians and transportation services an additional 15 days to submit an application for the HCI Program. Hospitals would have a time frame extended by 15 days plus the length of stay in the case of an admission. This provision has

no fiscal impact.

The bill also provides that the Division may rely on information collected by the hospital in order to determine the individual's eligibility for the HCI Program. Further, the Division is allowed to choose not to interview the applicant if the information provided appears to indicate that the applicant is eligible for the program. The bill also specifies that the expiration of the 45 days allowed for the Division to determine eligibility is not a valid reason to deny assistance for the HCI program. If the Division does not make a determination within the given time frame, the person is considered to be eligible for the program. Depending on administrative actions taken by the Division of Family and Children to ensure that the county offices are familiar with the requirements of the HCI eligibility process, these provisions may increase the number of persons determined to be eligible for the HCI program.

The program processed approximately 12,000 claims in FY 2004. Of these claims, about 8,500, or 71%, were over 91 days past the submission date when they were received by the central office. Additionally, the agency reported that of the 12,000 claims submitted, about 5,600, or 47%, were determined to be ineligible for the HCI program. The majority of these were determined to be financially ineligible. If under the provisions of this bill, these applications are considered to be eligible without regard for current financial or medical eligibility determinations, the level of claims assigned to the applicant's county of residence could grow significantly. County levies could be affected, although the impact would depend upon individual circumstances.

HCI Eligibility Determination Background: Prior to July 1, 2003, hospitals were not required to submit bills for the HCI Program to the Division. The County Offices of Family and Children were required to determine eligibility only for the applicants for eligibility related to physician and transportation claims for payment. Effective July 1, 2003, applications for hospital claims were required to be submitted to the County DFC offices for eligibility determinations. Hospital claims will constitute the majority of the applications submitted for HCI program benefits. The Division may use HCI funds to reimburse the state administration account for the caseworker time involved in making the eligibility determination.

HCI Property Tax Levy: The state pays a 20% property tax replacement credit (PTRC) on the amount of levy that is within a civil unit's maximum levy limit and is attributable to property other than business personal property. Likewise, the state pays a 20% homestead credit on the net tax due (after PTRC) of levies that are within the limit and attributable to homesteads.

The change in the HCI levy under this bill would also change the state's expense for PTRC and homestead credits. The actual change in state expenditures depends on the actual amount and direction of levy change. Based on the levy or levy cap estimates shown in *Explanation of Local Revenues*, the state's expense could rise by \$13,000 in FY 2006, but could be reduced by as much as \$900,000 in FY 2007 and \$1.7 M in FY 2008.

PTRC and homestead credits are paid from the Property Tax Replacement Fund (PTRF). These credits are paid from the state General Fund if insufficient balances are available in the PTRF.

Explanation of State Revenues: (Revised) The bill repeals two provisions that allow the Division to pursue repayment of the amounts paid by the HCI Program from the applicants, their legal appointed representatives, an estate, or from an insurance company. This provision will have a fiscal impact on the state HCI Fund dependent upon individual circumstances.

In the past, the Division has had collections from this source. Hospital claims are not paid through the HCI Program and are currently not subject to recovery efforts. (Hospital claims are tracked in the program for property tax levy calculations only.) Physician and transportation claims are, however, paid through the HCI program. The amount of associated collections that would be lost as a result of the repeal would be dependent upon individual circumstances. Previous years' collections are shown below. Repayments and collections amounts shown below include amounts repaid by patients or their estates and Medicaid or insurance recoveries. Currently, recoveries and collections are not reflected as a deduction to the amounts reported to the counties for use in the levy calculations.

Fiscal Year	HCI Repayments & Collections	HCI Administrative Cost	Assistance Claims Paid
FY 2004	155,429	245,614	1,172,751
FY 2003	226,414	191,290	1,361,545
FY 2002	217,830	261,839	1,453,775
FY 2001	387,916	204,361	1,755,333
FY 2000	269,233	200,618	1,883,531

Explanation of Local Expenditures:

Explanation of Local Revenues: HCI Property Tax Levy: Under current law, the HCI tax levy in each county through CY 2006 is equal to the previous year's levy, multiplied by each county's actual 3-year assessed value growth quotient (AVGQ). The CY 2007 levy will equal the average annual amount of claims paid in the county in FY 2004, FY 2005, and FY 2006. Beginning in CY 2008, the levy will equal the average annual amount of claims paid in the county in the three most recent completed fiscal years. However, the levies in CY 2007 and beyond would be limited to the greater of (1) the CY 2006 levy, or (2) the previous year's maximum levy multiplied by the county's actual 3-year AVGQ.

Under this proposal, the formula used in CY 2006 would be continued for CY 2007 and CY 2008. The actual 3-year AVGQ would be changed to a 5-year AVGQ for CY 2006, CY 2007, and CY 2008. (This analysis assumes that the five years of AV growth would be divided by five to determine a 5-year average.) The levy formula that, under current law, will go into effect for CY 2007 levies would be delayed until CY 2009. For CY 2009, the average claims used in calculating the levy would be a 5-year average rather than a 3-year average. After CY 2009, the claims used in the levy formula would revert to a 3-year average. The AVGQ used for calculating the cap in the formula for CY 2009 and beyond would also change to a 5-year AVGQ.

Under current law, the statewide total HCI levy is estimated at \$51.1 M in CY 2005 and \$51.5 M in CY 2006. Under the current levy formula, the levy cap is estimated at \$56.0 M in CY 2007 and \$61.8 M in CY 2008. The larger growth that begins in CY 2007 appears because of the annual assessed value adjustments that are currently scheduled to begin with assessments for taxes paid in CY 2006. These valuation adjustments directly affect the assessed value growth quotient used in the HCI levy formula.

Under this proposal, the 2006 levy is estimated at \$51.7 M. The levy would grow to an estimated \$52.1 M in

CY 2007 and \$54.7 M in CY 2008. In CY 2006, levies could increase under the bill by \$175,000. The levy caps would fall by an estimated \$3.9 M in CY 2007 and \$7.2 M in CY 2008.

The actual impact on CY 2007 and CY 2008 HCI levies is not known because the previous year's collections which are used in the levy formula are unknown at this time.

State Agencies Affected: Division of Family and Children, Family and Social Services Administration.

Local Agencies Affected: County Hospitals and emergency transportation providers.

Information Sources: Carl McPherson, 317-232-7087.

Fiscal Analyst: Kathy Norris, 317-234-1360.